

Message Text

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10/64

ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 FEA-01 AGR-05 CEA-01 CIAE-00

COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04

TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 NEA-10

PM-04 SAM-01 /108 W

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FM AMEMBASSY MADRID

TO SECSTATE WASHDC PRIORITY 2923

C O N F I D E N T I A L MADRID 2923

C O R R E C T E D C O P Y T E X T

E.O. 11652: GDS

TAGS: ETRD, SP

SUBJ: TRADE ACT OF 1974 - GENERALIZED SPECIAL PREFERENCES (GSP)

1. DURING CONVERSATION ON ANOTHER SUBJECT BETWEEN DCM AND MFA DIRECTOR GENERAL OF INTERNATIONAL ECONOMIC RELATIONS (BASSOLS), LATTER BROACHED TOPIC OF SPAIN'S PENDING APPLICATION FOR GSP DESIGNATION. HE WAS AWARE OF THE OUTLINES OF THE U.S. PROPOSAL TO ISRAEL, WHICH HE DESCRIBED AS BEING VERY "HARD" ON ISRAEL, AND SURMISED THAT SPAIN WOULD ENCOUNTER A SIMILAR APPROACH ON ITS OWN REVERSE PREFERENCES SITUATION. AS SPAIN WAS NOT PREPARED TO DISMANTLE ITS PREFERENCES TO THE EEC, THE U.S. TRADE ACT PROVIDED NO OTHER COURSE IF THESE PREFERENCES DID OCCASION DAMAGE TO U.S. EXPORTS TO SPAIN. IN THIS CONNECTION, HE NOTED THAT THE GOS IS ABOUT TO COMPLETE A STUDY OF THE EFFECT OF SPAIN'S EEC PREFERENCES ON U.S. EXPORTS. HE THOUGHT THE STUDY WOULD BE DONE WITHIN ANOTHER WEEK.

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2. BASSOLS FOR THE FIRST TIME GAVE US AN ASPECT OF

SPAIN'S INTEREST IN GSP WHICH HAD NOT BEEN MENTIONED IN OUR DISCUSSIONS HERETOFORE. HE SAID THAT THE GOS HAD TRIED TO PROJECT THE EFFECT OF GSP ON SPANISH PRODUCTS NOW BEING SOLD IN THE U.S. MARKET, BUT HAD FOUND IT IMPOSSIBLE TO DO PRIMARILY BECAUSE OF INADEQUATE KNOWLEDGE OF THE PRICE ELASTICITIES INVOLVED. IN ANY EVENT, SPAIN WAS NOT SO MUCH CONCERNED ABOUT THE MAJOR PRODUCTS BEING MARKETED IN THE U.S., BUT ABOUT THOSE PRODUCTS WHOSE SALES WERE SMALL OR WHICH HAD YET TO BE INTRODUCED. HE DID NOT OFFER ANY EXAMPLES, BUT NOTED THAT EXPERIENCE ELSEWHERE HAD CONVINCED THE GOS THAT THE MAIN BENEFIT FROM TARIFF PREFERENCES WAS THAT IT ALLOWED THE EXPORTER TO INTRODUCE AND CREATE A MARKET FOR NEW PRODUCTS. IN THIS SENSE, SPAIN WAS BANKING MORE ON FUTURE BENEFITS FROM GSP RATHER THAN SHORT TERM RETURNS.

3. HE ALSO REITERATED THE CONSISTENT COMPLAINT ABOUT SPAIN BEING EXCLUDED WHILE SUCH COMPETITORS AS ARGENTINA, MEXICO AND BRAZIL, COUNTRIES WHICH HE SAID WERE AT THE SAME LEVEL OF DEVELOPMENT AS SPAIN, WERE AUTOMATICALLY GRANTED GSP STATUS. IN RESPONSE TO CONTRARY ARGUMENTATION, HE WAS WILLING TO ADMIT THAT COMPARISONS OF RELATIVE LEVELS OF DEVELOPMENT WERE TRICKY AND THAT SPAIN COULD BE CONSIDERED AS MORE DEVELOPED THAN THE COUNTRIES HE MENTIONED IN CERTAIN WAYS. NEVERTHELESS, IT WAS A SITUATION THAT RANKLED THE GOS.

4. HE MADE A PERSONAL SUGGESTION OF A MEETING BETWEEN USG AND GOS REPRESENTATIVES AT THE TECHNICAL LEVEL TO DISCUSS SPAIN'S GSP SITUATION AND SAID HE THOUGHT THE MEETING SHOULD BE HELD THIS MONTH, PREFERABLY AROUND SEPTEMBER 20 OR SHORTLY THEREAFTER. HE UNDERSTOOD THAT THE U.S. HAD TO REACH DECISIONS ON ELIGIBLE COUNTRIES SOON AND THIS ARGUED FOR EARLY TALKS. HE NOTED THAT IT MIGHT BE HARD FOR U.S. OFFICIALS TO GET AWAY AND EXPRESSED HIS WILLINGNESS TO MEET IN WASHINGTON. SUCH A MEETING SHOULD HOPEFULLY BE UNANNOUNCED PUBLICLY, ISOLATED FROM MEDIA PUBLICITY, AND SEPARATED FROM THE BASE NEGOTIATIONS. THE SPANISH PRESS, HE SAID, SELDOM UNDERSTOOD ECONOMIC OR COMMERCIAL ISSUES AND COULD BE COUNTED ON

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TO TAKE A DEMOGOGIC STAND WHICH "POISONED" THE ATMOSPHERE SURROUNDING SUCH ISSUES. IN SUGGESTING A MEETING ON GSP BASSOLS EMPHASIZED THAT HE WAS SPEAKING FOR HIMSELF AND THAT ANY OFFICIAL PROPOSAL WOULD NEED MINISTERIAL APPROVAL WHICH HAD NOT YET BEEN OBTAINED.
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